



CBDT notifies new income-tax return forms for Assessment Year 2017-18

The Central Board of Direct Taxes (CBDT) has notified¹ revised Income-tax Returns (ITR) forms² for Assessment Year (AY) 2017-18. As a measure of rationalisation, the total number of ITR forms are reduced to seven from the existing nine. The form numbers and its applicability has been provided in the Annexure.

The key changes are summarised as follows:

Single page ITR form for salaried class taxpayers

The CBDT has notified a simplified one page form (ITR 1) for individuals earning income from salary, pension, one house property and income from other sources (i.e. interest, etc.).

Only commonly used sections for deductions have been provided. However, if the taxpayer wants to claim deduction under any other provision of chapter VI-A, he can specify the relevant section in a column titled 'Any other' deduction. Schedules of TDS and TCS have been merged into one in order to make ITR 1 shorter and simpler. Further, new columns have been provided to report dividend income and long-term capital gains exempt under Section 10(34) and Section 10(38) of the Income-tax Act, 1961 (the Act) respectively.

Existing ITR 2, ITR 2A and ITR 3 have been merged into one

The existing Forms ITR-2³, ITR-2A⁴ and ITR-3⁵ have been rationalised and a single ITR 2 has been notified in place of these three forms.

Manner of filing of ITR

All ITR forms have to be mandatorily filed electronically, except ITR-1 (Sahaj) and ITR 4 (Sugam), where the following taxpayers have an option to file it in physical form:

- Senior citizens of age of 80 years and above, or
- Individuals and HUFs having income up to INR5 lakh and not claiming tax refund

Other key changes to ITRs are given in the table below:

Amendment in ITR forms	ITR form	Explanation
Disclosure of Aadhaar number	ITR 1, 2, 3, 4	Giving Aadhaar number is now compulsory. However, in case, the taxpayer doesn't have Aadhaar number but has applied for it, he can give Aadhaar Enrollment ID.

¹ Notification No. 21/2017, dated 30 March 2017

² ITR -1 (Sahaj), ITR-2, ITR-3, ITR-4 (Sugam), ITR-5, ITR-6, ITR-7

³ For Individuals and Hindu Undivided Family (HUFs) not having income from business or profession

⁴ For Individuals and HUFs not having Income from business or profession and capital gains and who do not hold foreign assets

⁵ For Individuals/HUFs being partners in firms and not carrying out business or profession under any proprietorship

Disclosure of cash deposited from 9 November 2016 to 30 December 2016	ITR 1, 2, 3, 4, 5, 6, 7	A new column has been introduced in all ITR forms to report on cash deposited by taxpayers in their bank accounts during the demonetisation period, i.e., from 9 November 2016 to 30 December 2016. However, taxpayers are required to fill up this column only if they have deposited INR2 lakh or more during the demonetisation period.
Income taxable at special rates – Unexplained income	ITR 2, 3, 5, 6, 7	As per Section 115BBE of the Act, any unexplained credit or investment attracts tax at 60 per cent (plus surcharge and cess, as applicable), irrespective of the slab of income. Now new columns have been inserted in ITR forms under 'Schedule OS' to report such unexplained income under 'Schedule SI'.
Income taxable at special rates – Dividend above INR10 lakh	ITR 2, 3, 5	As per Section 115BBDA, the dividend received from a domestic company is taxable at a rate of 10 per cent if the aggregate amount of such dividend exceeds INR10 lakh. A new column has been inserted in ITR forms to declare such dividend income.
Income taxable at special rates – Patent income	ITR 2, 3, 5, 6, 7	A new column has been inserted in ITR forms to declare royalty income from patent developed and registered in India and chargeable to tax at 10 per cent under Section 115BBF of the Act.
Deduction under Section 80EE ⁶ of the Act	ITR 2, 3, 4	Section 80EE allows deduction on home loan interest for first time home buyers. This deduction is over and above the INR2 lakh limit covered under Section 24(b) of the Act. A new field has been provided in new ITR forms under Schedule VI-A deductions to claim home loan interest under Section 80EE of the Act.
Declaration of value of assets and liabilities by Individuals/HUF earning above INR50 lakh	ITR 2, 3, 4	During 2016, the Government had introduced a new schedule requiring individuals/HUFs to declare the value of assets and liabilities if their total income exceeds INR50 lakh. Taxpayers were required to mention the cost of immovable property, jewellery, bullion, vehicles, shares, bank and cash balance, etc. Now taxpayers are also required to disclose description and address of the immovable property and movable assets in new ITR forms. Further, new fields have been introduced in ITR forms for disclosure of 'Interest held in the assets of a firm or Association of Person (AOP) as a partner or member'. Such members/partners are also required to disclose the name, address, PAN of the firm or AOP.
Registration number of Chartered Accountant Firm	ITR 3, 5, 6	Now taxpayers are required to provide registration number of the firm of Chartered Accountant which has done an audit in ITR forms.
Bifurcation of receipt/expenses from business and profession in no account case.	ITR 3, 5	In old ITR forms, there was no option to bifurcate income and expense of business and profession separately. All receipts were to be clubbed together and shown in ITR. Now in new ITR forms, the option is provided to indicate receipts from business and profession separately.
Deduction of additional depreciation in case	ITR 3, 5, 6	In the case of purchase of an asset which is put to use for less than 180 days, additional depreciation shall be restricted to 50 per cent for that year and remaining would be allowable in the

⁶ The Finance Bill 2016 has amended Section 80EE to incentivise first-home buyers availing home loans, by providing additional deduction in respect of interest on loan taken for residential house property from any financial institution up to INR 50000

of asset put to use for less than 180 days in preceding year		<p>succeeding year.</p> <p>In old ITR forms, no column was there under 'Schedule DPM' to claim unutilised 50 per cent additional depreciation in succeeding year. Now in new ITR forms, such column has been inserted to claim unutilised 50 per cent depreciation.</p>
Segregation of digital receipts and other receipts under presumptive taxation scheme	ITR 4	<p>As per the presumptive taxation scheme under Section 44AD, 8 per cent of gross receipts or turnover will be deemed as income of the taxpayer. However, in Finance Act 2017, such limit has been proposed to be reduced to 6 per cent for digital receipts of the taxpayer.</p> <p>In new ITR form, new columns have been inserted to show turnover received through digital mode. Consequently, columns have been inserted to show presumptive income at 6 per cent and 8 per cent.</p> <p>The Finance Act 2016 had introduced the presumptive taxation scheme for professionals as well. Now, new ITR 4 Form shows an option to avail such presumptive taxation scheme for professionals under Section 44ADA of the Act.</p>
Details of receipts as mentioned in Form 26AS under TDS schedule	ITR 4	ITR 4 which is now applicable for taxpayer opting for presumptive taxation scheme has a new column under the 'Schedule TDS2' to show the receipts as mentioned in Form 26AS. TDS2 shows details of TDS on income other than salary.
Details of tax collected at source	ITR 4	Details of the amount paid as mentioned in Form 26AS are required to be disclosed.
Disallowance for non-deducting or non-payment of equalisation levy	ITR 3, 5, 6	<p>The Finance Act, 2016 has introduced a new provision to deduct 1 per cent equalisation levy on payment made for certain advertisement services paid to non-residents.</p> <p>Any default in deduction or payment of equalisation levy would attract disallowance of Section 40(a)(ib) of the Act.</p> <p>In new ITR forms, a new column has been inserted under 'Part A-OI' to mention such disallowance under Section 40(a)(ib) of the Act.</p>
Disallowance of any amount payable for the use of railway assets	ITR 3, 5, 6	<p>Any sum payable by the taxpayer to the Indian Railways for the use of railway assets shall be allowed as a deduction on actual payment basis as per Section 43B of the Act.</p> <p>A new column has been inserted under 'Part A-OI' for disallowance under Section 43B in the case of non-payment of such amount on or before the due date of furnishing return of income.</p>
Reference to the balance sheet as on the date of dissolution	ITR 5	ITR 5 has been amended to include reference to the balance sheet as on the date of dissolution, if any, if it is prior to the last date of the financial year.
Reporting of private discretionary trust	ITR 5	In the case of a private trust, the new ITR form requires reporting details such as whether the trust is specific or discretionary and whether the trust has business income.

New schedule to report 'receipt and payment' account of a company under liquidation	ITR 6	A new schedule 'Part A-OL' has been inserted in ITR 6 to furnish details of 'receipt and payment' account of the company under liquidation.
Additional information whether domestic company opting for reduced corporate tax	ITR 6	The new ITR has added an additional question whether in case of domestic company they are opting for Section 115BA (which provides for reduced corporate tax rate of 25 per cent subject to non-claiming of deductions and depreciation)
Additional information to disclose turnover/gross receipts	ITR 6	There is an additional requirement in the case of the domestic company if total turnover/gross receipts in the previous year 2014-15 exceeds INR5 crore.
Reporting of balance sheet as on the date of amalgamation	ITR 6	The new ITR form requires reporting of the balance sheet as on the date of amalgamation. This is applicable to the amalgamating company.
Total number of saving and current bank accounts held in India	ITR 2, 3, 4, 5, 6, 7	Details of total number of savings and current bank accounts held by the taxpayer at any time during the previous year (excluding dormant accounts) are no longer required to be stated in the income tax return.
Key changes related to ITR 7	ITR 7	<p>Various changes have been introduced in the new ITR 7 form applicable to a charitable trust. Now trusts are required to furnish following additional details in new ITR 7 –</p> <ul style="list-style-type: none"> • Registration number and date of registration for business trusts registered with the Securities & Exchange Board of India. • Reporting of an aggregate of income on account of charitable activities referred to in Section 11 and 12 excluding voluntary contribution. • Reporting of the amount applied to charitable or religious purposes (revenue account). • Reporting amount applied to charitable or religious purposes (capital account). • Schedule 115TD to report accreted income of the trust in relation to exit tax levy on charitable trusts on violation of certain conditions under Section 115TD of the Act.

Our comments

Further to the Finance Minister's announcement in Budget 2017, the introduction of simplified ITR-1 form is a welcome move. ITR-1 form has removed a plethora of columns on deductions from income being claimed. This simplified form will help in reducing hassle in filling up the same. Simultaneously, the number of ITR forms have been reduced from the existing nine to seven forms. The existing ITR forms i.e. ITR-2, ITR-2A and ITR-3 have been rationalised and a single ITR-2 has been notified in place of these three forms.

ITR mandatorily requires quoting of 12-digit biometric identifier Aadhaar number along with PAN. The amendments to the Finance Bill, 2017 have introduced Section 139AA whereby every person eligible to obtain Aadhaar number shall on or after 1 July 2017, quote Aadhaar number in the return of income. However, where the person does not possess the Aadhaar number as on 1 July 2017, the enrollment ID of Aadhaar application form issued to him at the time of enrollment shall be quoted in the return of income furnished by him.

It also requires the taxpayers to provide details of cash in excess of INR2 lakh that was deposited in bank accounts in the 50-day post demonetisation period. This will enable the tax department to cross-verify details against information collected from banks and post offices and take appropriate action in such cases.

The rationalised ITRs will help in reducing the compliance burden to a significant extent on the individual taxpayers. The move would benefit many taxpayers who will be eligible to file their return of income in this simplified form.

Notifying all the ITRs on 1 April reflects the government's commitment to improve service to the taxpayers. It also provides timely filing of income tax returns by taxpayers and to enhance the non-intrusive information-driven approach for improving tax compliance and effective utilisation of information in tax administration.

Annexure

Form No.	Applicability
ITR – 1	For individuals earning income from salaries, one house property, other sources (interest, etc.) and having total income up to INR50 lakh.
ITR – 2	Individuals and HUFs not carrying out business or profession under any proprietorship.
ITR – 3	For individuals and HUFs having income from a proprietary business or profession.
ITR – 4	For presumptive income from business and profession.
ITR – 5	For persons other than (i) individual, (ii) HUF, (iii) company and (iv) person filing Form ITR.
ITR – 6	For companies other than companies claiming exemption under Section 11 of the Act.
ITR – 7	For persons including companies required to furnish return under Sections 139(4A) or 139(4B) or 139(4C) or 139(4D) or 139(4E) or 139(4F) of the Act ⁷ .

⁷ Charitable or religious institution, political party, any other institution or association, every university, college or other institution, business trust, investment fund

Ahmedabad

Commerce House V, 9th Floor,
902 & 903, Near Vodafone House,
Corporate Road,
Prahlad Nagar,
Ahmedabad – 380 051
Tel: +91 79 4040 2200
Fax: +91 79 4040 2244

Bengaluru

Maruthi Info-Tech Centre
11-12/1, Inner Ring Road
Koramangala, Bangalore 560 071
Tel: +91 80 3980 6000
Fax: +91 80 3980 6999

Chandigarh

SCO 22-23 (1st Floor)
Sector 8C, Madhya Marg
Chandigarh 160 009
Tel: +91 172 393 5777/781
Fax: +91 172 393 5780

Chennai

No.10, Mahatma Gandhi Road
Nungambakkam
Chennai 600 034
Tel: +91 44 3914 5000
Fax: +91 44 3914 5999

Delhi

Building No.10, 8th Floor
DLF Cyber City, Phase II
Gurgaon, Haryana 122 002
Tel: +91 124 307 4000
Fax: +91 124 254 9101

Hyderabad

8-2-618/2
Reliance Humsafar, 4th Floor
Road No.11, Banjara Hills
Hyderabad 500 034
Tel: +91 40 3046 5000
Fax: +91 40 3046 5299

Kochi

Syama Business Center
3rd Floor, NH By Pass Road,
Vytilla, Kochi – 682019
Tel: +91 484 302 7000
Fax: +91 484 302 7001

Kolkata

Unit No. 603 – 604,
6th Floor, Tower – 1,
Godrej Waterside,
Sector – V, Salt Lake,
Kolkata 700 091
Tel: +91 33 44034000
Fax: +91 33 44034199

Mumbai

Lodha Excelus, Apollo Mills
N. M. Joshi Marg
Mahalaxmi, Mumbai 400 011
Tel: +91 22 3989 6000
Fax: +91 22 3983 6000

Noida

6th Floor, Tower A
Advant Navis Business Park
Plot No. 07, Sector 142
Noida Express Way
Noida 201 305
Tel: +91 0120 386 8000
Fax: +91 0120 386 8999

Pune

703, Godrej Castlemaine
Bund Garden
Pune 411 001
Tel: +91 20 3050 4000
Fax: +91 20 3050 4010

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